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### Weighing costs and changing lives

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## Weighing costs and changing lives

### Saddled with an increased burden to provide financial aid, Illinois Wesleyan faces tough choices on how to award institutional funds most effectively.

By Nancy Brokaw '71

Photos by Marc Featherly

Talk about a balancing act.

Each year, Illinois Wesleyan has only so much money for financial aid. Should it go to students with financial needs? Which ones? How much should they get? How much of that money needs to go for scholarships to attract top students?

IWU, like most private universities, seeks to find a balance between the two worlds of financial aid: need-based help to students who cannot otherwise afford to attend and merit scholarships that entice some of the best students in the nation.

"Financial aid is a way to provide opportunities," sums up Jerry Pope '80, dean of Illinois Wesleyan's Admissions Office.

It's helpful to keep that simple — even noble — purpose in mind when delving into the complicated realities of today's financial aid policies.

Illinois Wesleyan's comprehensive student fee for the current school year is \$30,380. Almost half of all IWU students receive need-based aid to help meet that expense. (The average award for the class of 2006 was \$16,298.) At the same time, Illinois Wesleyan, in an effective bid to lure ever-better students, awards merit scholarships to more than one-third of its students. These scholarships typically range from \$5,000 to \$11,700.

To put Illinois Wesleyan's situation in context, awarding merit aid as a tool in admissions has increased steadily for both public and private institutions. In 1999-2000, the last year for which data was available, 29 percent of the undergraduates attending private institutions were receiving merit aid, according to the National Center for Education Statistics. Illinois Wesleyan officials note that the percentage is even higher among those institutions with which the University typically competes for students.

A question that's on many school administrators' minds these days is this: Does merit-based aid take away too much money from need-based aid? In 2002-03, the number of first-year IWU students receiving need-based aid dipped below 50 percent, to 45 percent, for the first time in recent years.

"We work very hard to help our students with financial need," says IWU Director of Financial Aid Lynn Nicholson, "but in the last eight years, it's become more difficult to meet students' demonstrated need, for a variety of reasons." Merit-based aid is one factor, says Nicholson, but another is reduced state and federal financial aid funding.

A chart provided by IWU's Business Office shows the greater percentage of burden that the University has had to shoulder in financial aid over the past decade. In 1993-94, University grants amounted to \$6.9 million of the \$10.2 million total that year in gift assistance to IWU students. In 2003-04, the projected amount of University



Part of Scott Seibring's job as director of new student financial aid is to meet with prospective students and their families to discuss ways to make college more affordable. Above, Seibring chats with Tom and Ellen Reid and their son Brad, who were visiting from Iowa.

grants was \$17 million out of \$20.6 million in total grants. In contrast, state grants actually declined over the same period, from \$2.062 million to \$2.009 million.

This decline in state and federal aid is an inevitable result of fewer tax dollars devoted to higher education in an era of economic downturns and government belt-tightening. It also makes the current examination of merit- and need-based financial aid that much more important, as University administrators are faced with tough choices on the wisest way to spend the limited pool of funds available to help finance students' education.

### **Dreams behind the data**

Lynn Nicholson has been in charge of financial aid at IWU for 41 years. He loves the job. His days are full of spreadsheets and complex financial data, but are also punctuated by the joy of assisting a family in making a dream come true.

Nicholson's first task in working with a family is determining whether or not the student qualifies for financial aid and, if so, how much. Illinois Wesleyan uses several diagnostic tools, including a form called the Free Application for Federal Student Aid (FAFSA), which also measures eligibility for federal and state financial aid.

In addition to the FAFSA, IWU students must fill out the Illinois Wesleyan Financial Aid Application that is processed free of charge, or the College Scholarship Service (CSS) form, which is used by many colleges and universities.

Nicholson crunches data from all these documents to find the Expected Family Contribution (EFC), which is an assessment of how much a student and his/her family will be expected to contribute to college costs.

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Simply put, the difference between the EFC and the budgeted cost (\$30,380) equals the student's financial need. To help a student meet that need, Nicholson and his staff prepare a financial aid package that consists of a combination of three types of assistance: grants and scholarships (assistance that does not need to be repaid), loans (funds which must be repaid) and/or campus employment.

Should a student also qualify for a merit scholarship, the amount is considered part of the financial aid package, not added to it. Many IWU students also bring in outside awards — local civic club scholarships, for instance — which further reduce their costs.

Acting Provost Roger Schnaitter points out that each year, as statistics are evaluated, it turns out that among students who have financial need, the conversion rate (those who sign a contract to come to IWU) has always been highest among those with the highest need. This goes against the idea that Illinois Wesleyan is a "rich kid's school," an idea Nicholson sharply dismisses.

Pope wishes IWU could always meet 100 percent of a student's financial need, but there is not enough aid available to make that guarantee.

"Sometimes," Pope concedes, "other schools offer a better financial aid package and the best we can do is to get a student in the ballpark." In those cases, the staff works with the student's family to find alternative financing.

One reason that IWU administrators work hard to "make it happen," Pope says, is they know that Illinois Wesleyan can change a person's life.

Wes Schneider '75 represents one of those changed lives.

One week before he was set to enroll as a freshman at Illinois Wesleyan, Schneider's mother, the parent on whom he depended for financial support, was killed in an auto accident. Assuming he'd have to be a "short timer" at IWU, Schneider showed up for his first football practice, where Coach Don Larsen urged him to go straight to the Financial Aid Office. Schneider said that Nicholson was able to rearrange his financial aid package sufficiently to "carry the day."

Schneider — who lives with his family in Kenilworth, Ill. — now owns Creative Marketing Communications, a nationally recognized sales promotion agency that counts General Motors, Bayer, and Nestle among its clients.

"People stuck with me," Schneider says. "Because of the generosity of the IWU Financial Aid Office, I was able to stay and graduate."

"I'm grateful for it [the financial aid] every day," he continues. "I'm honored by the attention focused on me at a time when I wasn't very focused."

### **Reward or bargaining chip?**

Back in the mid-1970s, when Wes Schneider was receiving need-based financial aid, Illinois Wesleyan began to follow a new national trend of using merit-based scholarships to lure higher achieving students.

Looking back, administrators agree, it worked.

By almost any measurement, successive freshman classes at IWU have been ever more impressive. Applications for admission to the class of 2006 rose to 3,480, of which only 41 percent were accepted. The average ACT score of this year's freshman class is 28.5.

One reason merit scholarships work so well in attracting bright students is that they can be made available early on in the recruiting process. Because qualification for a merit scholarship is based on a basic matrix (class rank and ACT/SAT score), the University's admissions staff can say to a qualifying student before he or she is admitted that, yes, there will be a merit award offer.

Scott Seibring '85, director of new student financial aid and associate director of Admissions, points out that the average merit award is less than the average need-based award, which represents a cost savings to the University in budget-conscious times.

Another plus for merit aid, and one Pope enjoys, is the fact that a scholarship rewards hard work by students. "You can see parents' faces light up when we first mention it," Pope says. "It's like they want to tell their kid, 'See, we told you all that hard work would pay off.'"

An additional advantage of merit scholarships, according to Pope, is that the money may make a crucial difference for some middle-income families (such as land-rich farm families) who "on paper" show they can afford Illinois Wesleyan. For such families, sending their child to IWU would be a real struggle without merit-based aid.

Still, Pope acknowledges, finding exactly the right balance between merit aid and need-based aid is a priority for the University during the process of strategically planning its future.

Generous merit scholarships are the price of doing business as a topflight liberal arts university. Many of the schools with whom IWU competes for students, such as the University of Chicago and Washington University, also offer merit scholarships.

However, this very prevalence of merit scholarships may be reducing their effectiveness. “It’s not a great academic metaphor,” Roger Schnaitter says, “but if all the car dealerships are offering zero-percent financing, it ceases to be as big a drawing card for one particular place.”

And, ironically, now that Illinois Wesleyan has reached loftier heights in the comparative college rankings, merit scholarships are actually a drawback for some prospective students. The highest-ranking schools, such as Harvard, offer no merit scholarships. As Seibring puts it, “Some people look down on you if you offer merit aid, others won’t talk to you if you don’t.”

The matrix used by IWU to determine merit-based scholarship eligibility requires careful calibration. Going back just seven or eight years, Schnaitter says, a student with a 27 ACT score and an upper-quarter class ranking qualified for merit aid. With the average ACT score now above 28, and the average high school ranking of the entering class in the top 9 percent, that same student is now — theoretically, anyway — in the bottom half of the entering class. Adding to the confusion, class rankings from high schools can be deceiving, since schools vary widely in academic vigor. And, increasingly, high schools refuse to give out class ranks.

With these facts in mind, Seibring poses the questions that many Illinois Wesleyan administrators are now examining: what is the purpose of merit scholarships in light of the University’s current scholarship and recruitment goals? Should more complex factors (and therefore a more sophisticated matrix) be used in determining merit aid? And, another question: might the student offered a merit scholarship have come to IWU in any case?

Everyone agrees it’s difficult to find the balance. “We can’t get out [of merit scholarships] easily,” Schnaitter says, “nor do we want to at this point.”

Seibring concurs. “The difficulty is to find where you are in the market and how much money you need to offer in each individual case.”

## **Bidding wars**

There’s a bidding war going on among many universities for the hearts and minds of the world’s top students.

On the fringes of that battle are some decidedly odd practices. Unity College in Maine recently hosted its first-ever Fishing for Scholarships contest, in which prospective students spent seven hours on the water angling for 100 specially tagged fish, including one with a full tuition waiver.

Among the Ivy League schools, Princeton set off a firestorm a few years ago with the announcement that it would begin awarding far more financial aid than it had in the past by replacing loans with outright grants. Other schools followed suit, including Stanford, Yale, and M.I.T. This shift puts even more competitive pressure on small liberal arts colleges.

On another front in the bidding wars, some schools have become willing to “negotiate” financial aid packages. According to a recent article in the *Chronicle of Higher Education*, Carnegie Mellon even encourages such negotiations by inviting students to send in better offers from other colleges.

One seemingly unfair result of this is that families with savvy about the system will do better. Two students sharing a dorm room could come from identical circumstances but have very different financial aid packages.



Illinois Wesleyan stays away from negotiating financial aid, says Nicholson. Pope puts it this way: “We don’t wheel and deal; we don’t have to.” He thinks schools have dug themselves a hole with that mentality.

While the University does not engage in competitive bidding for prospective students, its Financial Aid Office does try to be flexible in making appropriate adjustments if parents’ financial circumstances have changed. According to Nicholson: “If a parent or student comes back and says another school has given them a better offer and asks if we can refigure their package, I’ll ask, ‘Has anything changed?’”

If the answer is no, then the aid package stands as it is.

However, there are cases in which figures can be legitimately reevaluated. Aid forms such as the FAFSA are based on the previous year’s income and can be misleading, says Nicholson. In the event of some unforeseen circumstance — such as death, divorce, or loss of job — Nicholson encourages families to go through an appeal process. If successful, the financial aid package will be adjusted upwards. Likewise, if a family wins the lottery, they can expect a downward adjustment.

Nicholson says that nearly all the families with which he’s worked over his long career have been “great.” When he gets the occasional parents who are determined to play hardball, he understands where they are coming from. Everybody, these days, seems to be looking for the “best deal.” But that’s not necessarily a good idea where schools are concerned.

Pope has two replies when a family comes back to him and says, “Look, the financial package you offered us is okay, but another school offered us a better deal.”

First, he encourages them to “do their homework” in evaluating the merit of institutions offering “better deals.” Perhaps the school offering the free ride isn’t offering the same quality education. “Quality costs,” Pope says. “Saving a few thousand dollars may not be worth it.”

Secondly, Pope advises families to check for hidden costs. More and more schools are charging fees for computers, graduation, parking, and extra dining services, which might not appear until the first bill arrives. Also, Pope encourages parents to compare schools’ four-year graduation rates. That fifth or sixth year of college not only involves more expense but is a year of lost opportunity for the student to launch a career or pursue graduate studies. Plus, if a student is unhappy and transfers, that can add on an extra year or more.

The most important consideration for students and parents, Pope says, should be looking for the best fit, which is a very different mindset than simply bargain hunting.

### **It’s not like buying a Buick**

How can we convince parents that an education is an investment, not a commodity?” asks Jeff Hanna, University vice president for Public Relations. “We haven’t always been successful in making the case for small liberal arts colleges — that we are worth the difference and that colleges are like anything else: you get what you pay for.”



“Quality costs,” says Jerry Pope (above).  
“Saving a few thousand dollars may not be worth it.”

Nichelson contrasts the investment in a child's education to buying a Buick. "You buy a Buick for \$25,000," he says, "and after five years, it's worth \$5,000. But, if you invest in your child's education, it pays dividends for a lifetime."

"Luckily," Nicholson adds, "most of our families are fantastic. They know how it's going to turn out. Their child wants to be here and the parents see the long-term value."

One thing is certain — the \$17-million financial aid budget is hugely important to the University, whether it is dispensed as need-based aid or merit scholarships. Most of all, it achieves that simple goal of providing opportunities, for both the students and for the University.

"Without question," Pope says, "alumni dollars [that go to financial aid] strengthen the University. If it weren't for our alumni, we couldn't do what we do to help students." Pope speaks from the heart on that subject. As a farm kid from a rural town, there's no way he could have attended IWU, he says, without financial aid.

Exactly how IWU's financial aid dollars will be dispersed in the future remains a challenge. Schnaitter points out that even though the number of students receiving need-based aid dropped below 50 percent in 2002-03, there's a silver lining. He says the University "can do a better job of meeting those needs now than when the number of students receiving aid was 70 percent."

At the same time, Schnaitter acknowledges that the matrix used for determining merit scholarships may need to be tweaked. "All these decisions," Schnaitter says, "are based on a trade-off between financial need and merit, plus an overall responsibility to balance the University's budget."

"We're trying to balance the financial aid policy in a way that enhances IWU, but is also fair," Schnaitter says. "The way it is now, we may not be able to meet all need, but we have a strong desire and responsibility to do so. Among our institution's many diversity goals is financial diversity."

As Seibring looks into the future, he sees scholarship aid drying up statewide, causing an even greater vacuum to be filled by need-based aid. "Merit scholarships helped us become successful," Seibring says, "but as you become successful, you need to change."

During ongoing discussions of possible adjustments to IWU's financial aid policies in light of current institutional priorities and strategies, Pope believes it will be helpful to frame the discussion in light of core values that have a national dimension. "It's the great American way on both sides of the question," he muses. "On the one hand, we believe that students should be rewarded for their hard work, no matter what their financial circumstances. On the other hand, those students who are academically qualified but would not have the means to afford IWU should get assistance to make that possible."

Seibring agrees. "It will always be a balancing act," he says.

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